Pablo’s Precision Parts distributes carbon fiber parts for customization of sports cars. The company has a broad customer base, and routinely sells on credit. Annually, the company reviews and updates its allowance for uncollectible accounts. Periodic write-offs against the allowance account are made throughout the year when individual accounts are deemed to be worthless.

Following are relevant facts for the current year:

Prior to recording any year-end adjustments, the total balance of all accounts receivable amounted to $2,300,000.

The existing Allowance for Uncollectible Accounts had a balance of $18,000.

No entry was made during the year to increase Allowance for Uncollectible Accounts, but $40,000 of uncollectible accounts were written off against the allowance during the year.

(a) What was the beginning-of-year balance for the Allowance for Uncollectible Accounts?

(b) Prepare a summary journal entry that reflects the $40,000 of write-offs already recorded by Pablo’s.

(c) Assuming that the year-end allowance should equal 3% of outstanding receivables, what end-of-year adjusting entry is needed?

(d) How will the accounts receivable and allowance appear on the balance sheet?

(e) How much expense will appear in the annual income statement as uncollectible accounts expense?